SASKATCHEWAN AUTO FUND
ANNUAL REPORT 1990

SGI

ON THE COVER

LIKE MORE THAN 500 OTHER MOTOR LICENCE ISSUERS AROUND THE PROVINCE, MANDY LAI OF THE CAA MOTOR CLUB IS AS HAPPY GIVING FRIENDLY SERVICE AS HER CUSTOMERS ARE RECEIVING IT. HERE, MANDY CHATS WITH MARTY RADDATZ AND HIS SON BROCK.

91-04329/

OUR VISION

To provide quality compulsory auto insurance and related services to Saskatchewan people, in a manner which:

- is responsive to, and valued by, our stakeholders;
- is customer-oriented, innovative, and emphasizes excellence;
- is efficient, cost-effective, and financially stable;
- contributes to the growth, diversification, and economic strength of the province.

ALL OF OUR RESOURCES—OUR PEOPLE, MODERN TECHNOLOGY AND OUR FINANCIAL STRENGTH—ARE FOCUSSED ON EXCEEDING THE EXPECTATIONS OF THE PEOPLE WE SERVE: THE PEOPLE OF SASKATCHEWAN. THAT'S OUR COMMITMENT NOW, AND FOR THE COMING DECADE.

LETTER OF TRANSMITTAL

Regina, Saskatchewan
April, 1991

To Her Honour,
The Honourable Sylvia Fedoruk,
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Auto Fund for the year ended December 31, 1990, including the financial statements in the form required by the Treasury Board and in accordance with the Automobile Accident Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

Grant Schmidt
Minister Responsible for
Saskatchewan Government Insurance

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Vice President
Motor Vehicle Division

PRESIDENT'S MESSAGE

The government auto insurance program in Saskatchewan touches the lives of all Saskatchewan people. As administrator of the program, SGI has a heavy responsibility to serve them well. Our programs and services help make our roads safer to travel, and the work we do ensures that high-quality, comprehensive insurance coverage is available to protect Saskatchewan people at the lowest rates in Canada.

Our actions are guided by a corporate code of values with service excellence at the core. We're here to serve—through the men and women who issue vehicle registrations and driver's licences, our driver examiners, vehicle safety officers and claims adjusters, the professional support staff who work behind the scenes and through the many community groups we support. All of our 1990 goals were designed with the customer in mind.

In 1990, we concentrated on cutting red tape, speeding up service, and reducing operating costs. We continued our work on effective traffic safety programs, and completed the year by topping our 1989 North American record for seat belt use. That's important because it means more people survived serious traffic accidents, or walked away without serious injuries.

Through safety conscious driving and the dedicated teamwork of our staff, in 1990 we realized an operating surplus of $24.4 million. This strong financial picture means that in spite of the GST and other increases in costs, we will again be able to deliver our services in 1991 without a rate increase to Saskatchewan drivers.

We look forward to a challenging and rewarding year in 1991, as we continue to work toward our goal of service excellence and high-quality, inexpensive programs.

Alex Wilde
President

WHAT WE DO

The Saskatchewan government introduced the Automobile Accident Insurance Act in 1946 to ensure that everyone in the province would receive basic automobile insurance protection when they purchased their licence plates. SGI staff administer this program on behalf of the provincial government.

You probably know us best as the people who provide driver's licences and licence plates, and pay auto claims. In addition to operating the insurance program, our staff test, monitor and counsel drivers, develop vehicle equipment standards, oversee vehicle inspection programs, and implement traffic safety programs.

SGI pioneered the first drive-in claims centre in North America in 1951, and through the years, people have come to rely on us for innovation and efficiency. "It's our mode of service at SGI that's the most enticing," says Claims Vice President Alan Cockman. "We give one-stop service." Customers making an auto claim get the damage appraised and the authorization for repair with one visit to their neighborhood SGI claims centre.

To help you with your needs, our staff are located in 13 communities throughout Saskatchewan.

► In 1990, we expanded our service in Saskatoon by opening a new claims centre in the city's east side, and we started construction of the Saskatoon West Claims Centre. We also opened a new claims centre in Kindersley. Other claims centres are in Estevan, Lloydminster, Meadow Lake, Moose Jaw, North Battleford, Prince Albert, Regina, Saskatoon, Swift Current, Tisdale, Weyburn and Yorkton.

► Driver's licence and vehicle registration services are available by mail and through 510 independent issuers located in 370 communities throughout the province.

► Staff on our toll-free Inquiry Line answer more than 500,000 telephone calls from the public and issuers throughout Saskatchewan each year.

► Our driver examination staff offer service at 80 locations across the province. SGI staff also operate a program to ensure that drivers with poor records improve their driving.

We serve 638,000 registered drivers and 804,000 vehicle owners in the province.

FOR GABRIELA ROSESCU (RIGHT), THE TIME ADJUSTER DOREEN KAYTAR SPENT WITH HER WAS A RELIEF AFTER A CAR ACCIDENT LEFT GABRIELA SHAKEN AND UPSET. "I WAS FEELING PANICKY, BUT DOREEN TOOK THE TIME TO EXPLAIN EVERYTHING," SAYS GABRIELA. "I WANT TO THANK HER FOR THAT."

YOUR COVERAGE

SGI's Motor Vehicle Division staff process and maintain the records of all drivers and vehicles licensed in the province. When you pay for your licence plates, you get the following insurance coverage:

► you and your passengers are covered for **Injury Benefits.** If you are in an accident, out of pocket medical expenses, weekly disability payments, and compensation for permanent disability and/or death are provided to you.

► you get **Collision, Upset and Comprehensive Coverage** if your vehicle is damaged in an accident or by other perils such as hail, fire and theft. This coverage is subject to a deductible.

► you receive **Liability Coverage** if you are found legally responsible for causing property damage, injury or death, and coverage for the vehicle deductible of the driver who is not at fault.

HOW RATES ARE SET

Our rates for collision coverage are based on the cost of claims and repairs for each make and model of vehicle. Saskatchewan was the first province to adopt a system of calculating rates that does not discriminate against age, sex or marital status.

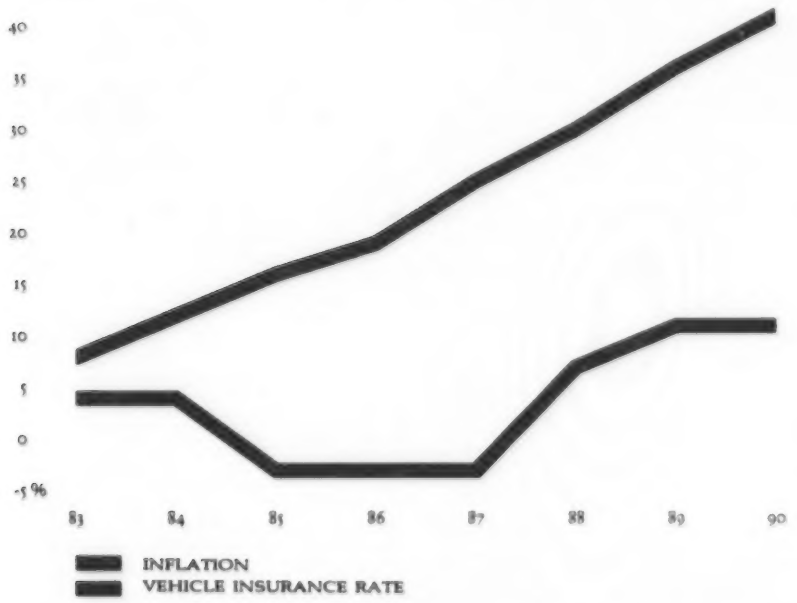
We believe that all drivers are good drivers until their driving records prove otherwise. An insurance premium is added to a driver's licence only when the driver's record accumulates at-fault accidents or traffic convictions. These higher risk drivers pay more of the costs of the auto insurance program, keeping costs for accident-free, safety conscious drivers as low as possible.

WE'RE KEEPING YOUR RATES DOWN

SGI held the line on auto rates in 1990 while drivers in virtually every other Canadian province experienced major rate increases. In fact, for the past eight years, vehicle insurance rates in Saskatchewan have increased by only 10 per cent in total—an average of $1^1/_4$ per cent per year.

Although injury claims costs continue to be a major problem in most provinces, in Saskatchewan these costs have levelled off thanks to responsible driving and improved safety practices such as seat belt use. We have also managed to effectively control the average cost per claim, despite higher labor rates in the repair industry and increasing costs generally. Because of administrative efficiency, strong management and responsible driving, there will not be a rate increase in 1991, making Saskatchewan drivers the envy of vehicle owners and drivers across the country.

VEHICLE INSURANCE RATES VS. INFLATION 1983-1990



DURING THE EIGHT YEAR PERIOD 1983-1990, AUTO RATES INCREASED AN AVERAGE OF 10 PER CENT, COMPARED TO A 40 PER CENT INCREASE IN THE OVERALL COST OF LIVING. INCREASES ARE CUMULATIVE.

STRONG FINANCIAL PICTURE

Saskatchewan auto insurance rates are the lowest in Canada. The average increase for vehicle insurance in Saskatchewan has been significantly below the rate of inflation for the past eight years. Because of efficient operations, effective safety programs and the good driving habits of Saskatchewan people, in 1990 our financial picture continued to be strong.

In 1990 we achieved an operating surplus of $24.4 million, which will permit us to absorb cost increases in 1991 without any increase in rates. Claims incurred increased slightly to $220 million from $212 million in 1989. The number of vehicle damage claims declined from 1989, dropping by nearly five per cent.

SGI Salvage sells recycled auto parts obtained from total loss vehicles. Profits from their sale help stabilize auto insurance rates. In 1990, Salvage contributed $1.7 million to our profits and ensured a supply of high-quality, lower priced parts to help keep down the cost of repairing vehicles damaged in accidents.

WHAT WE DO FOR YOU

"Our 1990 administrative objectives focussed on making things easier, faster and more convenient for our customers," says Motor Vehicle Division Vice President Bob Warren. "We wanted to do more things with less paper."

We simplified and streamlined, but not at the expense of accuracy. We improved our forms to speed up refunds, and reduced the waiting period for driver licence testing and application processing. We expanded our use of computers to get licence plates and documents to our customers faster. We used fax machines on a wider scale to improve service. We made it possible for motorists to choose their vehicle insurance renewal month—a real convenience for those who spend part of the winter away from home. In addition, we made changes to allow motorists to replace aging licence plates with new ones bearing the same, familiar licence number, and we made personalized plates available for all types of vehicles.

NEIL DOUGLAS, CO-OWNER OF JACK AND JILL DIAPER SERVICE, GOT A PERSONALIZED LICENCE PLATE FOR THE COMPANY VAN WHEN THE PLATES BECAME AVAILABLE FOR COMMERCIAL VEHICLES IN 1990. WHILE THE PLATES CAN BRING A SMILE TO THE FACES OF OTHER MOTORISTS, THEY'RE ALSO GOOD ADVERTISING.

WHEN THERE JUST AREN'T ENOUGH HOURS IN THE DAY, SERVICES LIKE SGI'S 24-HOUR PHONE-IN INFORMATION LINE ARE ESPECIALLY APPRECIATED. CUSTOMERS LIKE SUSAN WEIR, HERE WITH DAUGHTER REBEKKA, CAN GET A VARIETY OF INFORMATION OR INFORM US OF A CHANGE OF ADDRESS FROM THE COMFORT OF THEIR HOME.

"Everything we do is aimed at improving service—making it easier for our customers, speeding up the process and eliminating bottlenecks," says Dave Hick, Assistant Vice President of Underwriting and Licensing.

With our new telephone messaging system, our customers call us at *their* convenience. Twenty-four hours a day, seven days a week, the system prompts callers to update personal data or request information—in the comfort of their homes. The messaging system speeds up the collection of information, making our renewal system more accurate and up to date. Judging by the comments callers leave, most people are thrilled: "This is a fantastic way to change my address, on a minus 47 degree, wind-chilled Saturday," said one caller.

In response to demand from customers and law enforcement agencies, we implemented a voluntary Photo Driver Licence program, making photo identification available to everyone 15 years of age or older—even those without a driver's licence. When combined with a valid driver's licence, the cards will help police reduce the number of suspended drivers who fraudulently use other people's licences to drive.

In 1990, we expanded commercial licensing services to Saskatoon, and we established the framework to make cross-Canada licensing services for interprovincial truckers available in Saskatoon, in addition to Regina.

Our Strength is Our People

Our staff take pride in their jobs, and they know their business. We realize that an investment in our people pays off for our customers. We offer staff dozens of technical and in-house professional training courses, as well as incentives to help them develop specializations or complete post-secondary education.

Notes President Alex Wilde: "I'm very proud of the dedicated, skilled team of people we have here. They work very hard at solving our customers' problems, and that's why we're here."

In 1990, our adjusters and claims support staff were responsible for customer satisfaction levels increasing to a record 88 per cent.

Many of our service and program improvements come from our front-line staff. For example, in 1990 one excellent idea to reduce errors and speed up service came from Issuer Representative Randy Zerr. Randy's invention, a template that reveals mistakes in vehicle insurance applications, has helped drop motor licence issuer errors to an all-time low. As a result, drivers receive their licences faster.

Our 510 motor licence issuers are an important part of the SGI team. Located in 370 towns and cities throughout Saskatchewan, they help us deliver on our commitment to customer service. Their efforts, concerns and ideas are co-ordinated through the Issuer Advisory Council, which brings together members of SGI's management team and 11 issuers from around the province. With the help of this council, established in 1988, we've made changes which have improved accuracy and customer service.

Although efficient procedures and modern technology play a large part in superior customer service, we know that the personal touch...politeness, sensitivity, helpfulness and personal attention...is the critical factor to our success.

SGI ISSUER REP RANDY ZERR AND MOTOR LICENCE ISSUER SHIRLEY SMITH DISCUSS THE TEMPLATE RANDY DESIGNED. THE TEMPLATE MAKES ISSUERS' JOBS EASIER AND MEANS FASTER TURN AROUND TIME FOR CUSTOMERS.

MAKING OUR STREETS SAFER

More people than ever are using seat belts and driving with their headlights on. Why is that important? It means more people survive traffic accidents, or escape without serious injuries.

In the third year of our high profile occupant restraint program, traffic accident fatalities were the lowest they have been in more than 30 years.

One 1990 promotional campaign focussed on convincing teenagers to use seat belts, and our "Remember Me" campaign reminded adults to secure children in restraint seats. These campaigns, co-operative efforts with law enforcement officials, and growing public support, all led to Saskatchewan's highest-ever seat belt usage rate. In 1990, nearly 92 per cent of Saskatchewan drivers were using their seat belts—that topped our North American record of 88 per cent set in 1989.

SGI also supports other organizations working to improve traffic safety awareness. We provide core funding for the Saskatchewan Safety Council's seat belt promotion programs and to Saskatchewan's Students Against Drinking and Driving (SADD). "We're really enthusiastic about supporting the efforts of young people to deal with drinking and driving," says Paul Landry, Assistant Vice President of Traffic Safety Services. "SADD helps young people manage the problem themselves rather than having to take direction from adults. When we support these efforts, we're supporting them in developing a lifestyle that will sustain them over the years."

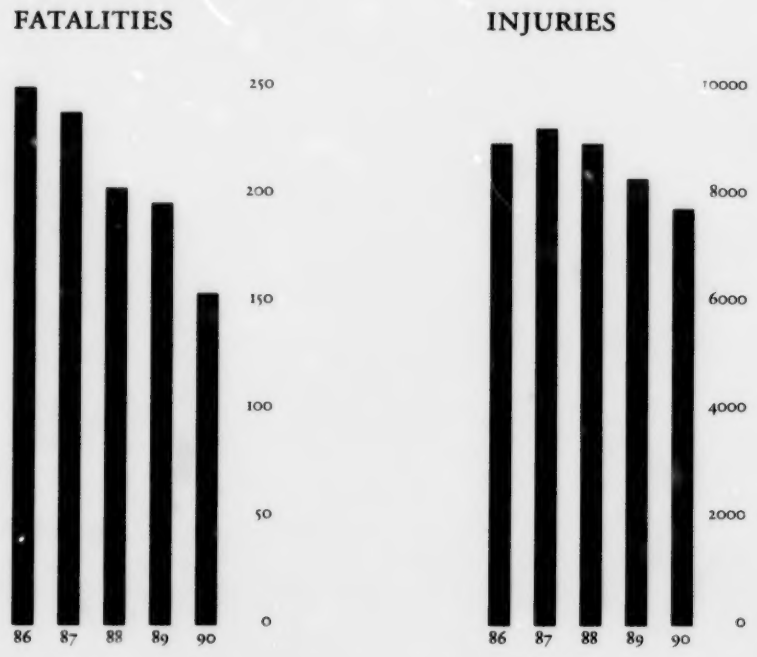
We continued our sponsorship of the successful New Year's Eve transit program in conjunction with transit systems in Regina, Saskatoon, Moose Jaw and Prince Albert. About 14,000 people took advantage of the free ride, making their evening both enjoyable *and* safe.

SEAT BELT SURVIVOR BILL MOYER RETURNED TO THE OFFICE ONE WEEK AFTER HIS CAR WENT OUT OF CONTROL AND ROLLED THREE TIMES. "IF IT WASN'T FOR MY SEAT BELT I WOULDN'T HAVE BEEN ABLE TO RESUME MY WORK," SAYS THE REGINA DENTIST. "THAT SEAT BELT SAVED MY LIFE."

In 1990, we established a Traffic Safety Resource Centre consisting of videos, audio cassettes and printed material designed for use in classrooms, by the public, and by law enforcement agencies, motor licence issuers and insurance agents. We marked the first anniversary of *Lifelines*, a quarterly traffic safety newsletter distributed to medical professionals, educators and people in the transport industry, and available to the public.

SGI also implemented a number of programs to improve the safety of commercial and industrial transport: we worked with municipal officials to require that three-axle trucks pass an approved vehicle inspection program as a contract requirement; we worked with the Saskatchewan Trucking Association to improve the visibility of large trucks; and we introduced a training package to help the RCMP enforce large truck safety.

SASKATCHEWAN INJURIES AND FATALITIES
1986-1990



ALTHOUGH PEOPLE ARE TRAVELLING AS MUCH AS THEY WERE FIVE YEARS AGO, THANKS TO SEAT BELT USE AND SAFETY CONSCIOUS DRIVING, EVERY YEAR FEWER PEOPLE ARE KILLED OR INJURED IN SASKATCHEWAN TRAFFIC ACCIDENTS.

CONTRIBUTING TO THE COMMUNITY

Across Saskatchewan, SGI is part of the communities we serve. We've won the trust and confidence of our customers through sound business practices and conscientious service. We aim not only to retain that trust and confidence, but also to make a positive contribution to the future of the province.

As a corporate donor, we support health care, social services and post-secondary education, as well as cultural and athletic endeavors. Employees at every level also give generously of their time and money as active participants in the life of their community.

To give a few examples, in 1990 SGI provided a sustaining grant of $10,000 to the Saskatchewan Association for the Rehabilitation of the Brain Injured, a non-profit society that offers rehabilitational programs for people with brain injuries, most of them resulting from traffic accidents. As part of our educational development program, we continued our sponsorship of the Saskatchewan Science Centre, and for the 39th year, we supported our young people through the Saskatchewan High Schools' Athletic Association.

Our concern for the future extends also to protecting the environment. We implemented an in-house paper recycling program, and we use recycled products in photocopiers and printers. The first business in Canada to recycle Freon from air conditioning in total loss vehicles, our Salvage area also recycles oil, batteries, and other material left over from claims, and sells metal from salvaged vehicles to be melted down and re-used.

At SGI, we believe in being an active member of the communities we serve, and we recognize a responsibility to help in building for their futures.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Saskatchewan Auto Fund have been prepared by the management of Saskatchewan Government Insurance as administrator of the Fund in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance. The independent auditors have performed an audit of the Fund which has enabled them to express their opinion on the financial statements of the Saskatchewan Auto Fund. This opinion is shown on page 21.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Saskatchewan Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of Saskatchewan Government Insurance, administrator of the Fund, meets periodically with financial officers of the corporation and the independent auditors. These independent auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

Larry Fogg
Vice President
Finance and Administration
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

AUDITOR'S REPORT

February 22, 1991

To the Members of the Legislative Assembly
Province of Saskatchewan:

We have audited the statements of financial position of the Saskatchewan Auto Fund as at December 31, 1990 and 1989 and the statements of operations and rate stabilization reserve and changes in financial position for the years then ended. These financial statements are the responsibility of the management of Saskatchewan Government Insurance as administrator of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants
Regina, Saskatchewan

STATEMENT OF FINANCIAL POSITION

December 31	1990	1989
	(Thousands of $)	
Assets		
Cash and Investments Maturing Within One Year	$ 90,880	$ 67,051
Accounts Receivable	14,146	13,392
Deferred Policy Acquisition Costs	6,202	5,737
Prepaid Expenses and Inventories	2,633	1,480
Long-Term Investments (Note 3)	278,109	278,483
Net Investment in Capital Lease (Note 4)	8,609	8,734
Property and Equipment (Note 5)	26,590	21,947
	$427,169	$396,824
Liabilities		
Accounts Payable and Accrued Charges	$ 6,958	$ 5,506
Premium Taxes Payable	10,053	9,721
Provision for Unpaid Claims (Note 6)	249,435	249,214
Unearned Premiums	115,696	111,800
	382,142	376,241
Rate Stabilization Reserve	45,027	20,583
	$427,169	$396,824

(See accompanying notes)

STATEMENT OF OPERATIONS AND RATE STABILIZATION RESERVE

Year Ended December 31	**1990**	1989
	(Thousands of $)	
Premiums Written	$251,329	$243,016
Premiums Earned	$247,765	$236,411
Investment Earnings (Note 7)	35,155	35,696
Other Income (Note 8)	1,536	2,366
Total Revenue	**284,456**	274,473
Claims Incurred	219,559	212,023
Issuer Fees	7,168	4,888
Premium Taxes	9,911	9,456
Administrative Expenses	23,374	22,629
Total Claims and Expenses	**260,012**	248,996
Net Increase to Rate Stabilization Reserve	**24,444**	25,477
Rate Stabilization Reserve:		
Balance Beginning of Year	20,583	(4,894)
Balance End of Year	**$ 45,027**	$ 20,583

(See accompanying notes)

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31	1990	1989
	(Thousands of $)	
Operating Activities		
Net Increase to Rate Stabilization Reserve	$ 24,444	$ 25,477
Depreciation and Amortization	1,560	1,797
Realized Gains on Disposal of Investments and Property and Equipment	(18)	(1,973)
Investment Write Down	2,015	—
	28,001	25,301
Increase in Deferred Policy Acquisition Costs	(465)	(882)
Increase in Accounts Receivable	(754)	(1,707)
(Increase) Decrease in Prepaid Expenses and Inventories	(1,153)	404
Increase in Provision for Unpaid Claims	221	4,671
Increase in Unearned Premiums	3,896	6,331
Increase (Decrease) in Accounts Payable and Accrued Charges	1,452	(1,348)
Increase in Premium Taxes Payable	332	557
Cash Provided By Operating Activities	31,530	33,327
Investing Activities		
Long-Term Investments		
—Purchases	(43,699)	(104,345)
—Proceeds on Sale	42,250	73,584
Capital Lease Repayment	125	113
Property and Equipment		
—Purchases	(6,626)	(2,764)
—Proceeds on Disposal	249	419
Cash Used for Investing Activities	(7,701)	(32,993)
Increase in Cash and Investments Maturing Within One Year	23,829	334
Cash and Investments Maturing Within One Year:		
Balance Beginning of Year	67,051	66,717
Balance End of Year	$90,880	$67,051

(See accompanying notes)

DECEMBER 31, 1990

1. SIGNIFICANT ACCOUNTING POLICIES

The Fund's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

PREMIUMS

Premiums written are taken into income over the terms of the related policies. Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

DEFERRED POLICY ACQUISITION COSTS

Premium taxes are deferred and then charged to expense over the same basis as premiums written are taken into income. Issuer fees for vehicle transactions are deferred and then charged to expense over the terms of the insurance policies to which such costs relate.

INVESTMENTS

Bonds, debentures and mortgages are recorded at amortized cost. Shares are recorded at cost. Investments are written down when there is a decline in value that is other than temporary.

INVESTMENT EARNINGS

Interest is recorded as income on the accrual basis. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are recognized in income on the date of sale.

PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims includes the estimated cost to the Fund of reported claims, an estimate based on the claims settlement experience of the Fund of the cost of claims incurred but not reported, and an estimate of adjustment expenses to be incurred on the settlement of these claims.

Long-term disability entitlements are recorded on a discounted basis to take account of the time value of money.

CAPITAL LEASE

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

PROPERTY AND EQUIPMENT

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over the estimated useful lives of the fixed assets as follows:

Buildings	2½–5%
Computer Equipment	20–50%
Other Equipment	20%

FOREIGN CURRENCY TRANSLATION

Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date.

ADMINISTRATIVE AND CLAIMS ADJUSTING EXPENSES

Saskatchewan Government Insurance (SGI) as administrator of the Saskatchewan Auto Fund provides certain services to both the Fund and SGI. The administrative and claims adjusting expenses relating to these services are charged to the Fund and SGI on the basis of specific allocations.

Direct administrative expenses are charged directly to the Fund's operations.

2. STATUS OF THE FUND

The Saskatchewan Auto Fund was established effective January 1, 1984, by an amendment to the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan 1978).

The accumulated earnings of the Saskatchewan Auto Fund in the Rate Stabilization Reserve are for the future benefit of Saskatchewan's motoring public and cannot be used for the payment of general dividends.

3. LONG-TERM INVESTMENTS

The components of the Fund's long-term investments are as follows:

(Thousands of $)

	1990		1989	
	Book Value	Market Value	Book Value	Market Value
Bonds and Debentures	$182,548	$178,332	$192,951	$194,326
Shares and Convertible Bonds	75,410	74,249	71,708	80,432
Mortgages	18,596	18,532	13,824	13,879
Real Estate	1,555	1,580	—	—
Total Long-Term Investments	$278,109	$272,693	$278,483	$288,637

On December 31, 1990, the Fund purchased the mortgage investments of SGI, a related party, at the market value of $5,035,000.

4. Net Investment in Capital Lease

The Fund, as lessor, has a 63 per cent interest in a lease agreement with a Saskatchewan Crown Corporation for a term of thirty years (twenty years remaining) on property in Prince Albert, Saskatchewan. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The Fund's net investment in capital lease includes the following:

	(Thousands of $)	
	1990	1989
Total Minimum Lease Payments Receivable ($995,000 per year)	$20,144	$21,138
Unearned Income	(11,535)	(12,404)
Net Investment in Capital Lease	$ 8,609	$ 8,734

5. Property and Equipment

The components of the Fund's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

	(Thousands of $)			
	1990			1989
	Cost	Accum. Depr.	Net Book Value	Net Book Value
Land and Improvements	$ 4,128	$ —	$ 4,128	$ 3,907
Buildings	21,520	5,072	16,448	16,185
Computer and Other Equipment	9,224	3,210	6,014	1,855
Total	$34,872	$8,282	$26,590	$21,947

On December 31, 1990, the Fund purchased the core computing equipment of SGI, a related party, at SGI's net book value of $4,655,000. The original cost and accumulated depreciation of the equipment were $10,475,000 and $5,820,000, respectively.

6. Discounted Claims Reserves

Included in the provision for unpaid claims are discounted reserves for long-term disability entitlements in the amount of $13,735,000 (1989—$13,121,000). These reserves have been discounted at 7 per cent to take account of the time value of money.

7. Investment Earnings

The components of investment earnings are as follows:

	(Thousands of $)	
	1990	1989
Interest and Dividends	$36,050	$32,811
Realized Gains on Sale of Investments	250	2,003
Investment Write Down	(2,015)	—
Income from Capital Lease	870	882
Total Investment Earnings	$35,155	$35,696

Share investments which have incurred a decline in market value for a period of more than three years were written down in 1990 by $2,015,000 to their December 31, 1990, market values.

8. Salvage Division

The Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claims settlement process. In 1990, total salvage sales were $12,485,000 (1989—$12,487,000); gross earnings on sales were $4,548,000 (1989—$5,118,000); and net earnings were $1,718,000 (1989—$2,473,000). The net earnings of the salvage division are included in other income.

9. Related-Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the Fund is related.

The Fund acts as agent for the provincial Department of Finance regarding the collection of driver and motor vehicle licence registration fees and the collection of education and health tax on certain vehicle purchase transactions.

Account balances resulting from these transactions are included in the Statement of Financial Position, and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.